Who Owns Canada’s Fossil-Fuel Sector?

MAPPING THE NETWORK OF OWNERSHIP & CONTROL

Summary

WHO OWNS AND CONTROLS CANADA’S FOSSIL-FUEL SECTOR, and therefore, who has both an interest in the sector’s continued growth and the economic power to shape its future?

By fossil-fuel sector, we mean the corporations involved in extraction, processing and transport of oil (including bitumen), gas and coal.
This study:

1. Identifies the most significant owners of the fossil-fuel sector and tracks trends in overall ownership over a recent six-year period,
2. Provides an overview of the mechanisms through which significant shareholders—corporate, personal, institutional—wield strategic control over individual corporations in the sector, and
3. Maps the key ownership relations that tie the largest corporations in the sector into a national and transnational network of corporate power.

Ownership and control as share of fossil-fuel industry revenues

In Canada’s fossil-fuel industry, a relatively small number of major oil, gas and coal producers generate the lion’s share of revenues. Oil—by far the most important source of revenue for fossil-fuel companies in Canada—is dominated by a handful of big players.

One way to measure ownership is to consider the share of overall industry revenues any given investor (or shareholder) controls. We looked at the largest fossil-fuel firms in Canada during the period from 2010 to 2015 (including any firm that was among the largest 50 during this period), identified their shareholders and calculated what share of the industry’s total revenues these shareholders claimed.

Our analysis finds that not only the production of fossil fuels but also the ownership and control of the sector are highly concentrated. The top 25 owners together account for more than 40 per cent of overall revenues during this period. Ownership is even more concentrated if we consider any majority shareholder to fully “own” a company given their incontestable control of it.

The top 25 owners of Canada’s fossil-fuel industry are ranked in the table below (based on their average share of total sector revenues over this period). Amid many thousands of investors, this small group has had an enduring presence, remaining largely unchallenged in the aftermath of the global financial crisis and the collapse in oil prices.
Amid many thousands of investors, this small group has had an enduring presence, remaining largely unchallenged in the aftermath of the global financial crisis and the collapse in oil prices.

<table>
<thead>
<tr>
<th>Largest owners</th>
<th>Type of investor</th>
<th>Region</th>
<th>Avg. ownership share, 2010–15 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Toronto-Dominion Bank</td>
<td>Bank</td>
<td>Canada</td>
<td>2.03</td>
</tr>
<tr>
<td>7 FMR LLC</td>
<td>Investment Fund</td>
<td>US</td>
<td>2.02</td>
</tr>
<tr>
<td>8 Royal Dutch Shell Plc</td>
<td>Foreign Corporate</td>
<td>Other developed country</td>
<td>2.02</td>
</tr>
<tr>
<td>9 Bank of Montreal</td>
<td>Bank</td>
<td>Canada</td>
<td>1.98</td>
</tr>
<tr>
<td>10 CK Hutchison Holdings Ltd</td>
<td>Family</td>
<td>Other developed country</td>
<td>1.96</td>
</tr>
<tr>
<td>11 Bank of Nova Scotia</td>
<td>Bank</td>
<td>Canada</td>
<td>1.71</td>
</tr>
<tr>
<td>12 LF Investments Ltd</td>
<td>Family</td>
<td>Other developed country</td>
<td>1.69</td>
</tr>
<tr>
<td>13 CIBC</td>
<td>Bank</td>
<td>Canada</td>
<td>1.39</td>
</tr>
<tr>
<td>14 Korea National Oil Corp</td>
<td>Foreign Government</td>
<td>Other developed country</td>
<td>1.22</td>
</tr>
<tr>
<td>15 Province of Quebec</td>
<td>Government</td>
<td>Canada</td>
<td>1.10</td>
</tr>
<tr>
<td>16 Jarislowsky Fraser Ltd</td>
<td>Investment Fund</td>
<td>Canada</td>
<td>1.01</td>
</tr>
<tr>
<td>17 Franklin Resources Inc</td>
<td>Investment Fund</td>
<td>US</td>
<td>0.89</td>
</tr>
<tr>
<td>18 Keevil Holding Corporation</td>
<td>Investment Fund</td>
<td>Canada</td>
<td>0.89</td>
</tr>
<tr>
<td>19 Sentgraf Enterprises Ltd</td>
<td>Family</td>
<td>Canada</td>
<td>0.83</td>
</tr>
<tr>
<td>20 Trencap LP</td>
<td>Investment Fund</td>
<td>Canada</td>
<td>0.82</td>
</tr>
<tr>
<td>21 Spectra Energy Corp</td>
<td>Foreign Corporate</td>
<td>US</td>
<td>0.81</td>
</tr>
<tr>
<td>22 Wellington Management Group LLP</td>
<td>Investment Fund</td>
<td>US</td>
<td>0.77</td>
</tr>
<tr>
<td>23 China-People's Rep</td>
<td>Foreign Government</td>
<td>China</td>
<td>0.76</td>
</tr>
<tr>
<td>24 Invesco Ltd</td>
<td>Investment Fund</td>
<td>US</td>
<td>0.72</td>
</tr>
<tr>
<td>25 The Government of Canada</td>
<td>Government</td>
<td>Canada</td>
<td>0.56</td>
</tr>
</tbody>
</table>

Average total share of sector controlled by top 10 owners: 26.20

Average total share of sector controlled by top 25 owners: 42.67

Source: Orbis and annual reports
Majority ownership by foreign corporations accounts for the largest share (16 per cent) of fossil-fuel industry revenues between 2010 and 2015.

To better understand the types of owners who dominate, we looked at a larger pool of leading investors (any shareholder that ranked among the top 50 owners in a given year) and found:

- majority ownership by foreign corporations accounts for the largest share (16 per cent) of fossil-fuel industry revenues between 2010 and 2015;
- asset managers and investment funds such as BlackRock and Capital Group follow closely with approximately 15 per cent of revenues;
- banks and life insurers are the third-largest type of owner (approximately 12 per cent of revenues), with the big five Canadian banks (RBC, TD, Scotiabank, BMO and CIBC) consistently ranking among the top investors;
- wealthy families control approximately 8.5 per cent of revenues—among them are the Desmarais family (who control investment company Power Corporation of Canada) the Southerns (who own Atco and Canadian Utilities through their holding company Sentgraf Enterprises) and Hong Kong’s richest person, Li Ka-Shing (the majority owner of Husky Energy);
- foreign governments are also represented (accounting for 3 per cent of industry revenues) via sovereign wealth funds in the case of Norway and Japan, and via CNOOC and KNOC respectively in the case of China and Korea; and
- Canadian federal and provincial governments together own 2 per cent.

Strategic control of fossil-fuel industry corporations

Another way of looking at ownership is to consider the different ways corporations are controlled. These different modes include:

- companies under the absolute (or semi-absolute) control of a single owner,
- those controlled by a major shareholder owning a majority of shares,
- those controlled by a shareholder owning a minority of shares (10 to 49.9 per cent) large enough to enable strategic control, and
- those with no identifiable controlling owner, i.e., widely held companies.

We looked at how the 200 largest (by revenue) fossil-fuel companies in Canada are controlled (using shareholder data as of March 2017):

- the most common mode is minority control, which applies to just over half the companies;
- a quarter of the fossil-fuel industry firms are widely held, with no owner holding 10 per cent or more shares; and
- the remaining corporations are either wholly owned by a single owner (12 per cent of firms) or majority-owned by a single owner (11 per cent).

Although widely held firms are not controlled by single owners, institutional investors—financial institutions, pension funds, asset managers—typically own substantial blocs of shares in these companies. In these cases, each institutional investor owns less than 10 per cent of shares, but
as a group the leading institutional investors own far more than 10 per cent. This places them in a position to exert control as a “constellation of interests,” if senior management fails to deliver sufficient profit, or if another hostile interest attempts a takeover.

Mapping the network of ownership

A final way of assessing who controls the fossil-fuel industry is to map the network of ownership relationships.

An investor who owns shares in a fossil-fuel corporation is tied to that company in an ownership relationship or stake, which could be weaker (where an owner holds a small stake of 1 or 2 per cent of shares) or stronger (a stake ranging from 10 to 100 per cent).

We mapped ownership relationships for the top 50 fossil-fuel industry corporations. Overall, we see a network made up of hundreds of weak ties—smaller institutional holdings mostly held by financial companies like banks, asset managers and life insurance companies—along with a few dozen large holdings that give clear-cut strategic control to corporate or personal owners.

Canada’s big five banks play a prominent role, along with five US-based asset managers (Capital Group, Vanguard, Franklin Resources, Fidelity Management & Resources and BlackRock). Together, these 10 institutional investors have 190 ownership stakes in the top 50 fossil-fuel industry companies, accounting for 43 per cent of all ownership relations in the entire network.

Of particular note, two finance companies—the Royal Bank of Canada (RBC) and US-based Vanguard Group—each hold stakes in 30 of the 50 top fossil-fuel firms. Although they have the same number of ownership stakes, the average size of RBC’s ownership blocs (4 per cent) is double that of Vanguard.

As noted earlier, Canada’s fossil fuel industry is dominated by a handful of major players. The network map (next page) shows the ownership relationships for the eight largest companies: Enbridge, Suncor, Canadian Natural Resources Limited, Cenovus, Teck Resources, Encana, TransCanada Corporation and Pembina Pipeline.

The ownership network for these eight big players is highly integrated thanks to the overlapping investment portfolios of the big banks and other financial institutions (four of the major Canadian banks have significant stakes in all eight of the major fossil-fuel companies). Of course, shareholdings are not the only kind of relationship that links these two sectors—Canadian banks are also major lenders to the fossil-fuel industry, given the capital-intensive nature of extracting, processing and transporting fossil fuels.

Conclusion

By investigating ownership and control in Canada’s fossil-fuel sector, this report reveals the major investors that have stakes in maintaining business as usual.

The findings point to a confluence of Canadian ownership, via wealthy families and financial institutions, and foreign ownership, via transnational corporations and asset management firms. Whether domestic or foreign, the concentration of fossil-fuel ownership/control represents a
Whether domestic or foreign, the concentration of fossil-fuel ownership/control represents a massive centralization of economic power in the hands of private investors accountable only to themselves.

Some of the world’s largest transnational corporations continue to control several of the largest Canadian fossil-fuel firms. But what stands out in this study are the many comparatively small yet significant holdings of institutional investors—some of them major US-based asset managers, but also all of Canada’s big banks—that form constellations of interests in partnership with the top-level management of fossil-fuel companies.

Rising levels of Canadian corporate ownership and control of the sector in recent years appear to have made little difference in how the industry functions. Decades ago, foreign control of Canada’s energy sector (and other sectors) was seen as a threat to Canadian self-determination.

Source: Corporate Mapping Project (based primarily on data from Orbis).

Note: Colour indicates the type of entity (fossil-fuel companies are purple, corporate owners are orange, financial company owners are green, personal owners are blue, state owners are yellow). Shape denotes the geographic location of the ultimate owner (circles are Canada, squares are the US, up-triangles are Europe, diamonds are other developed countries, down-triangles are China [including Hong Kong]). See Appendix 3 in full report for full names of companies.
and democracy, but the trend toward more Canadian corporate control of fossil-fuel extraction has made little to no difference in how the industry functions.

In mapping ownership and control of Canada’s fossil-fuel sector, this study:

- reveals the massive centralization of economic power and the extent to which the financial benefits from fossil-fuel production go predominantly to a relatively small number of corporations, investment funds, wealthy families and governments;

- highlights the broad economic risks of continued heavy investment in what may become stranded assets, as the world moves away from fossil-fuel-based energy. Divestment campaigns directed at institutional investors and governments are particularly important in helping to reduce these risks; and

- identifies the need to shift from fossil-fuel oligarchy to energy democracy, in which control of economic decisions shifts to people and communities, such as through public ownership of renewables and much greater democratic participation in energy policy.
This report is part of the Corporate Mapping Project (CMP), a research and public engagement initiative investigating the power of the fossil fuel industry. The CMP is jointly led by the University of Victoria, Canadian Centre for Policy Alternatives BC and Saskatchewan Offices, and Parkland Institute. This research was supported by the Social Sciences and Humanities Research Council of Canada (SSHRC).

For more information, visit www.corporatemapping.ca.

PUBLISHING TEAM
Shannon Daub, Jean Kavanagh, Terra Poirier
Layout: Paula Grasdal
Copyedit: Lucy Kenward
Cover image: Garth Lenz

ABOUT THE AUTHORS
WILLIAM K. CARROLL is Professor of Sociology at the University of Victoria and was founding Director of Social Justice Studies. He co-directs the Corporate Mapping Project with Shannon Daub.

M. JOUKE HUIJZER worked as a research assistant for the Corporate Mapping Project at the University of Victoria in the fall of 2015. Currently he is pursuing a PhD. at the Vrije Universiteit Brussel.

ACKNOWLEDGEMENTS
This report has benefited from comments by four anonymous reviewers and from advice from Professor J.P. Sapinski of the Université de Moncton. We appreciate the encouragement we received from other members of the Corporate Mapping Project, particularly Co-Director Shannon Daub.

The opinions and recommendations in this report, and any errors, are those of the authors and do not necessarily reflect the views of the publishers or funders.

This report is available under limited copyright protection. You may download, distribute, photocopy, cite or excerpt this document provided it is properly and fully credited and not used for commercial purposes.